SCN Saskatchewan Communications Network

ANNUAL REPORT

1990 - 1991

92-05068/

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LETTER OF TRANSMITTAL

Regina, Saskatchewan
December, 1991

To Her Honour
The Honourable Sylvia O. Fedoruk, O.C., S.O.M.
Lieutenant Governor of Saskatchewan

Your Honour:

I have the honour to submit the third Annual Report of the Saskatchewan Communications Network (SCN) for the year ended March 31, 1991, including the financial statements, duly certified by auditors for the corporation, all in accordance with *The Communications Network Corporation Act*.

I have the honour to be,

Your obedient servant,

Hon. Robert W. Mitchell, Q.C.
Minister Responsible for
Saskatchewan Communications Network (SCN)

SCN BOARD OF DIRECTORS
1990 - 91

Willie Grieve- Chairman
Saskatoon

Bill Bruce
President & CEO of SCN

Bruce Cameron
Saskatoon

Denise Dodds
Meadow Lake

John Empey
Estevan

Melvin Isnana
Fort Qu'Appelle

Gayle Robinson
Regina

Bunny Semenchuck
Regina

Lynn Short
Saskatoon

Ken Sopkow
Canora

Sorrel Steinberg
Regina

MESSAGE FROM THE CHAIRMAN OF THE BOARD

Saskatchewan Communications Network (SCN) was created to act as a vehicle through which educational information and cultural programming relevant to Saskatchewan people could be equally accessible throughout the province. This year saw the Corporation make significant advances toward the realization of its goals.

The Training Network experienced substantial growth in the number of centres and the variety of credit courses offered. This is a significant part of the Corporation's mandate. The Training Network provides many people living in the more rural and remote regions of our province with access to credit, career-oriented courses in their own communities.

The corporation was also awarded an educational broadcast licence by the Canadian Radio-television and Telecommunications Commission and will begin programming on its Cable Network early in the new fiscal year. While SCN prepares to launch its Cable Network, the Board of Directors is focusing its efforts on ensuring the availability of the cable service to all Saskatchewan cable customers and on developing a truly unique Saskatchewan flavour for SCN's programming. We hope to accomplish this in large part by our continued encouragement and support for Saskatchewan's film and video production community.

The members of the Board of Directors are proud of the accomplishments of SCN and look ahead with optimism to the challenges of fulfilling the responsibilities with which we have been entrusted.

Willie Grieve
Chairman

MESSAGE FROM THE PRESIDENT

This year has been very exciting and productive for SCN's energetic team.

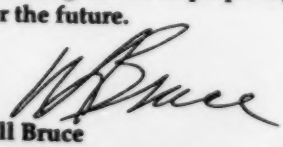
Indeed, as we work toward launching our Cable Network, we proudly reflect on the success and development of our Training Network, which delivers, by satellite, live, interactive credit, career-oriented, organizational and business programming throughout the province. Since 1989/90, we have expanded this network from 35 to 52 communities and are now serving nearly 3,000 individuals, up from 968 in 1989/90. Through this network, the Corporation also spearheaded a unique pilot project in delivering selected high school courses to schools which may not otherwise have had such expertise available.

In meeting our goals, we are committed to listening to new ideas and providing equal access to information for all residents in the province. This year's community informational tour presented us with an opportunity to talk with individuals who benefit from SCN's services and gave us valuable feedback on ways we can even better meet needs in the province.

On behalf of the staff, I express our appreciation to all businesses and organizations including the Department of Education, University of Regina, University of Saskatchewan and Saskatchewan Institute of Applied Science and Technology (SIAST) campuses for cooperation and assistance in developing SCN.

Further, we are grateful to the Saskatchewan's film and video production industry who have worked diligently in developing and producing programs to meet our schedule's needs and now wait patiently for our Cable Network's launch. I also thank those who presented supportive interventions at our CRTC hearings.

Finally, I commend the staff who have responded expediently to change, and have accepted all challenges, without hesitation. We look forward to our integral role in preparing Saskatchewan people for the future.



Bill Bruce
President and CEO

HISTORY OF SCN

The establishment of the Corporation was based on input from a five-year public hearing process on the need for an advanced communication network in the province.

This process focused on the potential of an advanced telecommunications network to enhance the exchange of information in areas such as education, agriculture, technical training, skills upgrading, culture and the arts.

The Corporation was established by an order in council, January 11, 1989, under The Crown Corporations Act, 1978. It continues under The Communications Network Corporation Act, in 1990.

CORPORATE MANDATE

The mandate of the Saskatchewan Communications Network (SCN) is to provide equal access to information for all Saskatchewan residents.

In the process of fulfilling this mandate, SCN will develop telecommunications services which will promote:

- the timely distribution of educational and informational programming in subject areas relevant to Saskatchewan residents;
- the distribution of programming to centres in Saskatchewan, providing educational and training opportunities not previously available; and,
- the use of videoconferencing by businesses and organizations to train and update employees throughout the province.

In addition to increasing access to needed information and training, SCN will stimulate:

- Saskatchewan's technological industry through the provision of opportunities to design, manufacture, install and market its hardware;
- the film, video, music production and software industries.

To fulfill its objectives, SCN cooperates with numerous institutions and organizations in the province. These include educational institutions, government departments, crown corporations, private business and other agencies. Utilizing existing systems and resources wherever possible is a fundamental principle by which SCN operates.

SCN - TRAINING NETWORK
DELIVERING DISTANCE EDUCATION

SCN has developed one of the largest interactive networks in Canada and responds to the needs of a widely dispersed rural population. In 1990/91, 52 locations in Saskatchewan were joined by this "electronic highway". Individuals were able to enhance their education without leaving their communities.

The delivery model encompasses one-way video and two-way audio to facilitate live interactive programming.

In conjunction with the Regional Colleges, this network transmits classes originating from the Universities of Regina and Saskatchewan, as well as the four Saskatchewan Institute of Applied Science and Technology (SIAST) campuses, high schools and various businesses and organizations.

The SCN Training Network provides a unique opportunity for formal education institutions, businesses and other groups to conduct their human resource development efforts with maximum flexibility. More importantly, the live interaction and community-based programming afforded by the Network is a humanistic approach to distance eduction and information dissemination.

- SCN allows corporations, agencies and government departments the option of providing timely and cost effective training to their clients.

- SCN provides an option for corporate targeting of information needs.

- SCN can deliver corporate information or training at approximately 25 percent of the cost of a traditional face to face meeting.

- In 1990/91, 18 percent of off-campus students were registered in post-secondary classes delivered by the SCN Training Network.

SATELLITE & TELECONFERENCING
REGISTRANTS AND HOURS 1990 - 91

Programmer	Program	Registrants	SCN Room Hours
U of R	French 100	96	56
	Economics 101	52	49
	Computer Science 102	87	77
	French 101*	46	60
	Economics 102*	36	60
Total	**5 programs**	**317**	**302**
U of S	Math	127	87
	English	267	87
	History	165	87
	Psychology	228	58
	Certificate in Agriculture	256	4.5
Total	**5 programs**	**1043**	**323.5**
K-12			
Swift Current	Accounting 16	85	18
	Biology 20	80	30
Viscount	French 9	95	29
Campbell	Algebra 20	31	18
	Algebra 30	33	30
	Geo Trig 20	35	30
Total	**6 programs**	**359**	**155**
SIAST			
	Accounting 10.15D	106	44
	Nutrition	187	87
	Special Needs	652	66
	Gerontological Nursing	26	36
	Marketing	76	45
	Org. Beh. 10.14D	56	42
	Accounting 10.25D	59	45
	Chemical Dependency	51	52.5
Total	**8 programs**	**1213**	**417.5**
GRAND TOTAL	**24 PROGRAMS**	**2932**	**1198**

Special Event Programmers:

- Government of Saskatchewan
- Sask. Alcohol and Drug Abuse Commission.
- Sask. Association of Lifelong Learning
- Sask. Recreation Association
- SaskSport
- Royal University Hospital

Students from Fort Qu'Appelle, one of SCN's 52 receive sites.

The SCN Training Network allows rural residents, with a range of circumstances, to go to a centralized institution, to take credit courses and upgrading at or near their own community. This methodology allows individuals direct access to instructors or professors in centralized institutions.

This Network, which is presently the largest and most advanced in Canada, is continuing to grow as communities [illegible] their own

NEW CENTRES IN 1990/91

- Central Butte
- Cudworth
- Esterhazy
- Fort Qu'Appelle
- Glen Ewen
- Humboldt
- La Loche
- Leader
- Moosomin
- Neilburg
- Preeceville
- Sandy Bay
- Shellbrook
- Spiritwood
- Viscount
- Warman

- Carlyle (Community-owned centre)

TRAINING NETWORK HIGHLIGHTS:

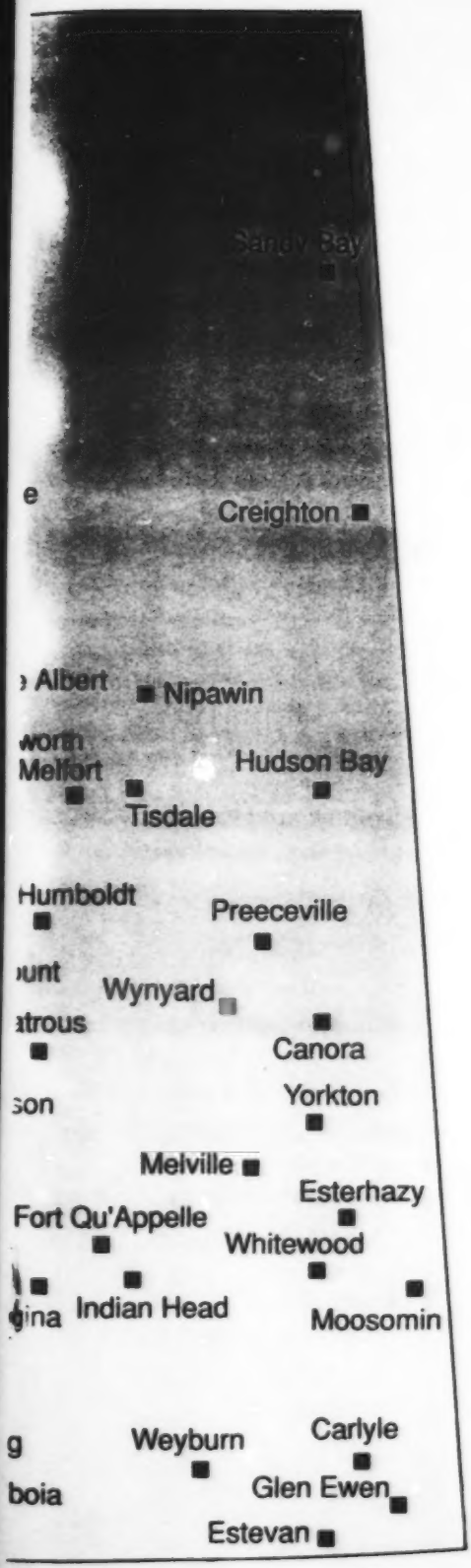
STATISTICS	1990/91	1989/90
Classrooms for receiving credit course delivery to communities	68*	35
Individuals using Training Network services	2932	968
Scheduled programming hours on Training Network	1198	578

* some centres have duplicate classrooms

In 1990/91, SCN began plans for an audioconferencing pilot project in 15 communities to look into methods of expanding the delivery of credit courses and alleviating the increasing demand upon the Training Network for 1991/92.

PROGRAM OFFERINGS THROUGH TRAINING NETWORK:

- the two universities are developing a series of programs to offer the first two years of a general arts degree at a distance;
- SIAST courses feature business administration from the Moose Jaw Palliser campus and health sciences from the Saskatoon Kelsey, Regina Wascana and Prince Albert Woodlands' campuses.



K-12 PILOT PROJECT

During 1990/91, SCN, in conjunction with the Department of Education, implemented the satellite delivery of a range of secondary courses to small, rural high schools. The project was designed to enhance rural educational opportunities by providing increased access to teaching expertise and resources.

Before entering this pilot project, SCN had been approached by a number of principals and directors of education regarding the potential for improving the educational opportunities for rural Saskatchewan pupils by utilizing technology in the distance delivery of high school subjects.

The classes offered in the 1990/91 academic year included:

- Accounting 16
- Biology 20
- French 9
- Algebra 20
- Algebra 30
- Geo Trig 20

Schools involved in sending the classes: Campbell Collegiate, Regina; Swift Current Comprehensive High School, Swift Current; Viscount School of the Future, Viscount.

Receiving sites included: Bateman, Burstall, Central Butte, Climax, Consul, Cudworth, Eastend, Frontier, Glentworth, Kihiw School in Marcelin, Kincaid, Kinistino, LaLoche, Oungre, Plenty, Rabbit Lake and Sandy Bay.

CABLE NETWORK CRTC LICENCE

During 1990/91 SCN presented its application for educational broadcast licence to the Canadian Radio-television and Telecommunications Commission (CRTC) and appeared before the Commission in October, 1990 receiving its licence in February, 1991.

The licence allows SCN to broadcast programming on its educational cable channel. This service will be launched in May, 1991. Programs will be delivered by satellite through Saskatchewan's cable systems to their subscribers.

PROGRAMMING PHILOSOPHY:

SCN's Cable Network programming philosophy is:

- to stimulate life-long learning;
- to develop awareness of the various cultures in Saskatchewan and beyond its borders;
- to reflect and strengthen the identity and values of Canadian society.

SCN participates in original productions and acquires quality, television-based learning resources. The programming schedule is distinctly different from any currently available in Saskatchewan.

AUDIENCE/SUBJECT EMPHASIS:

Educational television addresses the special needs of Saskatchewan audiences. In the selection of programming SCN's emphasis includes: children (preschool, children and youth at home); families; seniors; multicultural and indigenous groups.

The subject areas will include agriculture and rural development; arts and humanities; lifestyles and leisure; the environment; health and wellness; science and technology; and social awareness.

Program inventory includes:

- "how to" shows including financial, social or domestic skills;
- performances and documentaries on a variety of the arts;
- documentaries on science, travel and cultures of other lands;
- documentaries on Saskatchewan, Canadian and international social and environmental concerns.

FORMAL AND INFORMAL LEARNING:

SCN's schedule includes both formal and informal learning programs.

Formal programming
Formal programming supports elementary, secondary and post-secondary education. These programs provide teachers with resources which complement, or enrich, the Department of Education curriculum.

The K-12 programs, recommended by the Department of Education, are acquired or produced for use on the Cable Network and have duplication or broadcast rights which allow teachers to use the programs in the classroom at convenient times.

SCN acquires material which supplements post-secondary courses. These materials are also of interest to a general audience.

Informal programming
Informal programs or series stimulate curiosity and encourage learning. Audiences range from preschoolers to seniors. These programs encourage viewers to become involved in a variety of learning activities.

Informal programming also focuses on personal development to help individuals:

- acquire knowledge and skills that will help them cope with the challenges of living in an increasing complex world;
- gain an appreciation of the wide world of arts and cultures.

CABLE NETWORK HIGHLIGHTS

- Received educational broadcast licence from CRTC.
- Involved in approximately 40 Saskatchewan productions.
- Selected programming for delivery to prepare for May, 1991 network's on-air debut.

PRODUCTION ACTIVITES:

SCN is committed to the development of Saskatchewan's film and video production industry. In 1990/91, there were approximately 40 productions in various stages of development. Wherever possible, these productions involve other financial partners or underwriters and other Saskatchewan broadcasters. SCN's commitment thus stimulates revenue for the industry.

Scenes from SCN's Saskatchewan-based series, "One in a Million", produced by Grasslands Productions.

AUDITOR'S REPORT

May 13, 1991

AUDITORS' REPORT TO THE MEMBERS OF THE LEGISLATIVE ASSEMBLY PROVINCE OF SASKATCHEWAN.

We have audited the balance sheets of Saskatchewan Communications Network Corporation as at March 31, 1991 and 1990 and the statements of revenue, expenditures and operating equity, reserve and equity, and changes in financial position for the years then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 1991 and 1990 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Coopers & Lybrand

CHARTERED ACCOUNTANTS
Regina, Sask.

SASKATCHEWAN COMMUNICATIONS NETWORK CORPORATION

BALANCE SHEETS AS AT MARCH 31, 1991 AND 1990

ASSETS

	1991 $	1990 $
CURRENT ASSETS		
Cash and short-term investments	3,660,885	2,345,523
Accounts receivable and accrued interest	66,178	40,714
Grants receivable	2,387,903	1,785,012
Prepaid expenses	22,114	25,509
Inventory	254,690	97,323
Current portion of net investment in leases (note 3)	7,487	-
	6,399,257	4,294,081
NET INVESTMENT IN LEASES (note 3)	20,894	-
FIXED ASSETS (note 4)	1,106,367	716,788
	7,526,518	5,010,869

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	189,599	686,835

EQUITY

RESERVE FOR COMMITMENTS (notes 5 and 6)	6,230,552	3,607,246
EQUITY IN FIXED ASSETS	1,106,367	716,788
	7,336,919	4,324,034
	7,526,518	5,010,869

SASKATCHEWAN COMMUNICATIONS NETWORK CORPORATION

STATEMENTS OF RESERVE AND EQUITY FOR THE YEARS ENDED MARCH 31, 1991 AND 1990

RESERVE FOR COMMITMENTS

	1991 $	1990 $
BALANCE - BEGINNING OF YEAR	3,607,246	-
Allocation of funds for commitments	2,623,306	3,607,246
BALANCE - END OF YEAR	6,230,552	3,607,246

EQUITY IN FIXED ASSETS

BALANCE - BEGINNING OF YEAR	716,788	-
Allocation of fixed assets net of depreciation	389,579	716,788
BALANCE - END OF YEAR	1,106,367	716,788

SASKATCHEWAN COMMUNICATIONS NETWORK CORPORATION

STATEMENTS OF REVENUE, EXPENDITURES AND OPERATING EQUITY FOR THE YEARS ENDED MARCH 31, 1991 AND 1990

	1991 $	1990 $
REVENUE		
Grant - Province of Saskatchewan	3,000,000	4,485,000
Grant - Government of Canada (note 7)	6,224,653	3,114,580
Interest	462,938	7,582
Miscellaneous	116,894	66,262
	9,804,485	7,673,424
EXPENDITURES		
Administration (note 8)	837,747	330,036
Program support	415,400	238,735
Program development and production costs	1,634,340	556,063
Program acquisition costs	1,530,081	943,898
Network distribution (note 8)	2,374,032	1,280,658
	6,791,600	3,349,390
NET REVENUE FOR THE YEAR	3,012,885	4,324,034
OPERATING EQUITY - BEGINNING OF YEAR	-	-
Allocation to reserve for commitments	2,623,306	3,607,246
Allocation to equity in fixed assets	389,579	716,788
OPERATING EQUITY - END OF YEAR	-	-

SASKATCHEWAN COMMUNICATIONS NETWORK CORPORATION

STATEMENTS OF CHANGES IN FINANCIAL POSITION FOR THE YEARS ENDED MARCH 31, 1991 AND 1990

	1991 $	1990 $
OPERATING ACTIVITIES		
Net revenue for the year	3,012,885	4,324,034
Item not affecting cash		
- Depreciation	597,759	419,548
	3,610,644	4,743,582
Net increase in non-cash working capital balance related to operations	(1,279,563)	(1,261,723)
	2,331,081	3,481,859
INVESTING ACTIVITIES		
Increase in investment in leases	(28,381)	-
Purchase of fixed assets	(987,338)	(1,136,336)
	(1,015,719)	(1,136,336)
INCREASE IN CASH AND CASH EQUIVALENTS	1,315,362	2,345,523
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,345,523	-
CASH AND CASH EQUIVALENTS - END OF YEAR	3,660,885	2,345,523
CASH AND CASH EQUIVALENTS CONSIST OF:		
Treasury bills	4,358,973	2,059,654
Bank balances	570,481	320,950
Less outstanding cheques	(1,268,569)	(35,081)
CASH AND CASH EQUIVALENTS - END OF YEAR	3,660,885	2,345,523

SASKATCHEWAN COMMUNICATIONS NETWORK CORPORATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 1991 AND 1990

1. STATUS OF CORPORATION

Saskatchewan Communications Advanced Network Authority (SCAN) was established by an order in council January 11, 1989 under the Crown Corporations Act, 1978. SCAN was continued as Saskatchewan Communications Network Corporation (SCN) under the Communications Network Corporation Act, 1990.

The Corporation operates a training network which electronically links communities throughout Saskatchewan. SCN has received a license from the Canadian Radio Television and Telecommunications Commission to operate a cable network. SCN began broadcasting on May 6, 1991.

2. SIGNIFICANT ACCOUNTING POLICIES

a) **Program acquisitions and production**
Program acquisition and production costs are expensed as incurred.

b) **Fixed assets**
Fixed assets are recorded at cost less accumulated depreciation. Depreciation is calculated using the declining balance method as follows:

Office equipment and furniture	30%
Uplink development and network configuration and multiplexing system	30%
Computer hardware	40%
TVs, VCRs, satellite dish and video equipment receivers	40%
Fax machines and audio conferencing unit	50%
Computer software	60%

c) **Inventory**
Inventory consisting of blank video tapes and decoders is recorded at the lower of cost determined on a first in first out basis, and net realizable value.

d) **Leases**
Equipment leases are accounted for using the direct-financing lease method. Under this method, the asset recorded is an investment in the lease. Net investment in leases is composed of net minimum lease payments less unearned income. Unearned income is taken into income to produce a constant rate of return on the investment in the lease.

e) **Government Transfers**
Government transfers are recognized as revenues in the period that the events giving rise to the transfer occur.

3. NET INVESTMENT IN LEASES

The corporation, as lessor, has lease agreements with school divisions for a term of five years on telecommunications equipment. The corporation's net investment in leases includes the following:

	1991 $
Total lease payments receivable	41,040
Less: Unearned income	12,659
	28,381
Current portion of net investment in leases	7,487
Net investment in leases	20,894

4. FIXED ASSETS

The components of the fixed assets as well as the related accumulation depreciation are as follows:

	Cost $	1991 Accumulated Depreciation $	1991 Net Book Value $	1990 Net Book Value $
Office equipment and furniture	115,748	40,630	75,118	19,685
Uplink development and network configuration	1,071,482	447,463	624,019	420,063
Computer hardware	186,816	112,072	74,744	93,363
TVs, VCRs, and satellite receiver	517,342	241,995	275,347	87,645
Fax machines and conferencing unit	151,162	109,217	41,945	67,272
Computer software	81,124	65,930	15,194	28,760
	2,123,674	1,017,307	1,106,367	716,788

5. RESERVE FOR COMMITMENTS

The reserve for commitments was established for existing and future commitments in the process of building an educational TV and data network and the associated research and development.

6. COMMITMENTS

a) **Productions**
At March 31, 1991 the corporation had commitments totalling $249,000 (1990 - $257,000) representing the estimated costs to complete productions in progress.

b) **Broadcast and duplication rights**
At March 31, 1991 the corporation had commitments totalling $183,000 (1990 - $724,000) for the acquisition of broadcast and duplication rights.

c) **Grants to Part III Cable Systems**
The corporation has committed $172,000 for grants to Part III Cable Systems for the cost of acquiring and installing equipment necessary to carry SCN's signal.

d) **Full-time satellite transponder**
The corporation has entered into a contract which commits $1,268,000 for a full-time Ku-Band satellite transponder for 1991-92.

e) **Head End Contract**
The corporation has entered into a contract for the operation of SCN's master control, tape duplication, packaging and promotional productions and uplinking cost for 1991-92 for $596,000.

7. GRANT - GOVERNMENT OF CANADA

The Government of Saskatchewan has an agreement with the Government of Canada whereby the Government of Canada will reimburse SCN for 90 percent of the cost of certain eligible expenditures made by SCN during the years 1988 to 1993. The Government of Canada's total payments under this agreement shall not exceed $18,000,000.

The cash payments under the agreement are disbursed over the term of the agreement at the discretion of the Government of Canada. For the year ending March 31, 1991, payments to SCN from the Government of Canada were capped at $4,800,000.

8. DEPRECIATION

Included in expenditures for the year is depreciation expense as follows:

	1991 $	1990 $
Administration	73,586	55,340
Network distribution	524,173	364,208
	598,759	419,548

9. RELATED PARTY TRANSACTIONS

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and corporations with which SCN is related.

Account balances resulting from these transactions are included in the Balance Sheet and are settled on normal trade terms.

10. COMPARATIVE FINANCIAL INFORMATION

For comparative purposes, certain 1990 balances have been reclassified to conform with the 1991 financial statement presentation.